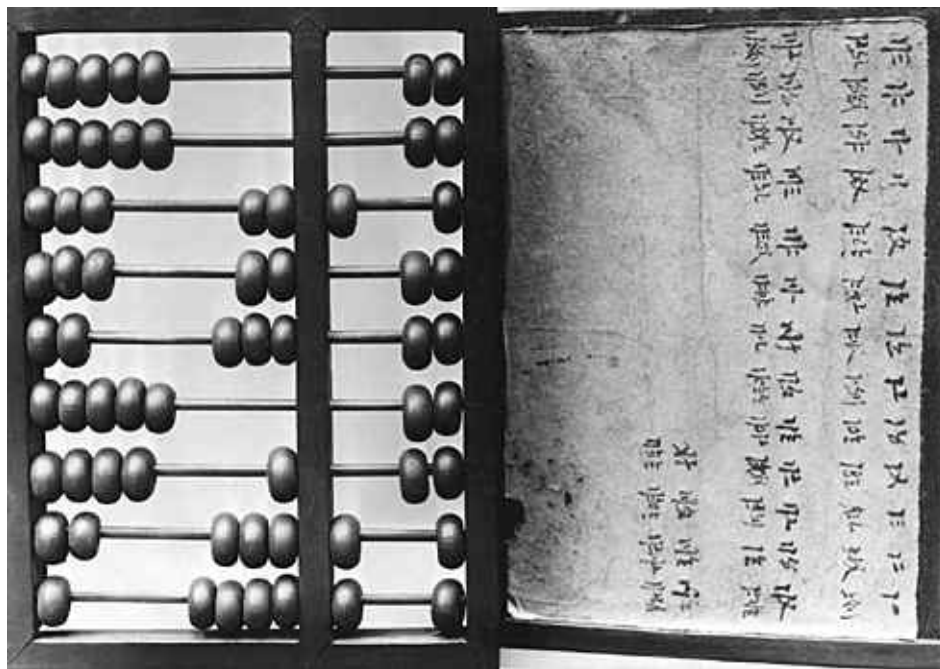




The City of Rye, New York
Department of Finance

2002 Annual Report to the City Manager



Prepared January 31, 2003
Michael A. Genito, City Comptroller

The finance department is pleased to submit its 2002 annual report to the city manager:

Programs and Functional Units

Following is a brief description of the programs and functional units (sometimes known as “cost centers”) of the finance department. All provide support services to internal and external customers of the finance department and the city:

General Accounting Program

The General Accounting Program consists of the finance administration, general accounting, and accounts payable functional units. Finance administration provides coordination and supervision of all finance department activities, and determines the priorities and scheduling of finance activities in coordination with the city manager’s office. General accounting coordinates the flow of financial information from subsidiary systems to the general ledgers, and provides various financial reports and analyses as required or desired by law, charter, or management. Accounts payable audits all purchase requisitions, purchase orders, and claims for payment or reimbursement submitted by vendors and city personnel, and issues vendor checks against the claims approved by management.

Treasury Program

The Treasury Program consists of the treasury functional unit and traffic violations bureau functional unit. Treasury provides cash management of all city funds, property tax billing and collection, accounts receivable, cash receipts, miscellaneous billings, and the investment of idle funds. The traffic violations bureau provides for the billing and collection of parking violations, the entry of collections into the city’s financial system, and the distribution of various reports.

Payroll Program

Both a program and functional unit, the Payroll Program audits payroll information submitted by departments, processes and distributes payroll checks, inputs payroll summary data into the city’s financial system, and provides financial information and reports concerning salaries, wages, and benefits.

MIS Department

The Management Information Systems (“MIS”) Department was re-aligned in fiscal 2002 to fall under the auspices of the finance department, and is both a program and functional unit that provides technology-related services (mostly computer hardware and software services) to other departments of the city.

Staffing

Staffing of the finance department in 2002 consisted of the city comptroller, a deputy city comptroller, an accountant, and four senior account clerks. One of the senior account clerk positions was vacated in June of 2002 and remained vacant through the end of the year. One coordinator of computer services and one junior network specialist staff the MIS department. All of these positions are full-time positions.

The Year in Review

Fiscal 2002 was a challenge; especially in light of the fact the finance department was not at full staffing for the second half of the year. However, we were able to accomplish a significant set of goals and objectives.

GASB 34 Implementation

The Governmental Accounting Standards Board (“GASB”) is the standard-setting body for state and local governments. Statement Number 34 (commonly referred to as “GASB 34”) is a recently adopted standard that requires monumental changes in governmental financial reporting. The City of Rye is required to implement this standard no later than its fiscal year ending December 31, 2003, but we began taking steps in fiscal 2001 to early implement. In fiscal 2002 we completed most of the changes that would be required, including the review and classification of revenues to functional expenditures, the reclassification of our expendable and non-expendable trust funds, and the compilation of our infrastructure fixed asset records. Additional changes, such as the reclassification of certain long-term liabilities, may require City Council approval. In short, we hope to implement GASB 34 with the issuance of our fiscal 2002 financial statements.

GASB 34-Compliant Fixed Asset System

One of the changes required by GASB 34 for governments is that they report depreciation in their entity-wide financial statements for all capital assets. As such, we began fiscal 2002 researching the various GASB 34-compliant fixed asset systems offered by vendors. Ultimately, we were able to procure a compliant module from our current software provider that integrated easily into our other financial system modules. It should be noted that this was accomplished with very favorable pricing compared to systems available from competing vendors.

Research ASP-based Financial Management System

ASPs (Application Service Providers) offer customers a service wherein the ASP maintains the hardware and software of a financial management system for a monthly service fee. We undertook a study in fiscal 2002 to evaluate the cost-benefit of such a service. We ultimately decided that while there is a great benefit to outsourcing hardware and software maintenance, the costs of such a service at this time are prohibitive. We will continue in our search for cost-effective alternatives.

Shared Mailing of Property Tax Statements

In fiscal 2002 we implemented a shared mailing of property tax statements between the City of Rye and the Rye City School District. The purchase of special hardware and software allowed us to print, fold, and seal the statements in a self-mailer, saving us significant time, effort, and money. This accomplishment also benefited the school district, which shared in the postage costs.

Internet and Telephone Tax Payment Acceptance

In fiscal 2002 we implemented a system that allows property taxpayers to pay their taxes via the Internet, or with a touch-tone telephone using Interactive Voice Response (“IVR”) technology.

The taxpayer can use any popular credit card, and receipt of the funds is almost immediate. This convenient customer service is available 24 hours a day, 7 days a week.

City Business Cards

We implemented the use of city business cards for a few key department heads in fiscal 2002. The cards simplify issues related to city business travel, such as lodging and transportation for conferences and seminars, and employee reimbursement related to such travel.

2001 CAFR Award

As with every year since fiscal 1996, we received the Government Finance Officers Association *Excellence in Financial Reporting Award* for our fiscal 2001 comprehensive annual financial report ("CAFR"). This prestigious award is presented to those state and local governments that produce annual financial reports exhibiting full and fair disclosure by meeting strict specifications established by the GFOA.

Records Management

Each year the finance department microfilms some 30 cubic feet of paper records, preserving the integrity of those records and minimizing efforts required to locate and reproduce them as needed. New York State requires that most of these records be retained for at least six years, and many of them (such as payroll and property tax records) must be retained permanently. In fiscal 2002 we microfilmed our fiscal 2001 records. The only records remaining in paper form in inactive storage at city hall are the fiscal 1997 records having a six-year retention period, which can be destroyed after the close of fiscal 2003.

Payroll Employee Recordkeeping System

In fiscal 2002 we converted approximately 35 cubic feet of inactive employee records to a microfilm/CD-ROM recordkeeping system. This system will preserve the integrity of the records, allowing search, retrieval, and reproduction using key indexes, and eliminate the need for the paper storage. These records are regularly researched in response to inquiries from former employees and official agencies.

Online Investment Management

In fiscal 2002 we participated as a beta test site for a new online service that would incorporate all of our reports, wire and ACH transfers, historical data and other services and information related to investments through MBIA CLASS, a municipal investment cooperative. Being a test site enabled us to receive the service earlier and allowed us direct input into the features of the product that would suit our needs best.

Rye Neck UFSD Taxes

In fiscal 2002 the city was able to obtain a special segment rate for those paying Rye Neck Union Free School District taxes. Under very short notice, we successfully coordinated the necessary changes with our tax billing and collection software provider that would allow for a reduction in the second half payment of those taxes. Included in this effort was a process to prepare the taxable assessed values, proofing the revised values to the assessment roll, recalculating the taxes, and posting the recalculations.

Check Security and Positive Pay

In response to well-publicized reports of increases in identity theft and fraud, we evaluated our cash disbursement (check) processes. As a result, we enhanced our check stock to include at least 12 security features. We also began the implementation of what is commonly known as “positive pay”, where an electronic file of checks issued is sent to our bank and used to compare checks presented with those on the file. Any discrepancies, such as a check presented that is not on the file, or with a different amount, or different date of issue, or an apparent duplicate, is immediately brought to our attention. We are coordinating the file requirements with our software provider and our bank, and anticipate positive pay to be in effect early in 2003.

MIS

The MIS department accomplished the following in fiscal 2002:

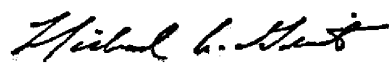
- Supported 111 workstations, 19 servers, 57 printers, 101 telephone lines, 65 cellular telephones, 155 network clients, 10 sites, and 5 domains.
- Installed 34 workstations, 10 printers, and 7 virtual private network (VPN) connections.
- Installed an automated system for the city clerk’s office.
- Implemented Outlook Web, allowing Internet access to city e-mail accounts.
- Assisted in the re-organization of the Rye Police Department network.
- Coordinated a re-design of the city’s web site.
- Coordinated a survey and design analysis with Westchester County and Cablevision/Lightpath for future technology services under the Westchester County/City of Rye Inter-municipal Agreement (IMA).
- Coordinated telephone station reviews with Cablevision/Lightpath, as well as Verizon, for possible future upgrades to the city’s telecommunications network.

Statistics

Following are some selected statistics concerning regular activities of the finance department:

<u>Number of:</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Cash Receipts Processed	10,660	9,425	9,342	9,682	9,849
Purchase Orders Processed	424	606	574	599	662
Accounts Payable Processed	8,019	8,209	8,646	9,602	9,511
Checks Processed	4,102	4,699	5,057	4,963	5,002
City Tax Bills	4,820	4,820	4,830	4,687	4,697
County Tax Bills	4,820	4,820	4,830	4,814	4,843
School Tax Bills	846	846	844	830	832
Regular Payrolls	27	26	26	26	26
Local Pension Payrolls	24	24	24	24	24
Special Payrolls	5	5	2	1	3

Respectfully submitted,



Michael A. Genito
City Comptroller